



Jocelyn Davies AM  
Chair - Finance Committee  
National Assembly for Wales  
Ty Hywel  
Cardiff Bay  
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9<sup>th</sup> November 2015

Dear Jocelyn,

Thank you for your letter dated 13 October to the Minister for Finance and Government Business, in which you requested clarification on Higher Education Funding and student support. I have been asked to reply given my responsibility for higher education in Wales.

The underspends recorded in revenue non cash and Annually Managed Expenditure (AME) in 2014-15 reflect the Welsh Government's prudent approach to forecasting expenditure on statutory demand-led budgets. Student finance is complex and is underpinned by a sophisticated financial model which takes into account the latest information on student and institutional behaviour. However, the volatility of student support is recognised by HMT (which is why it is classified as AME) and it is sensible that the Welsh Government includes a small additional contingency in its final forecasts to HMT in case of unexpected late increases in demand.

I can confirm that the Student Loan Repayment model (HERO) takes account of all Welsh Government specific policies, such as:

- student numbers;
- SLC current outstanding loan data for all students Welsh Government has supported in the loan book;
- take up rates for Tuition Fee and Maintenance Loans; and
- loan amount take out data for Tuition Fee and Maintenance loans for each cohort.

Given the degree of change in higher education and student finance over the last five years, any analysis of student debt and the long-term impact on the student loan book is difficult. However, the Welsh Government has undertaken analysis on behalf of the Diamond review, which includes current and forecast future debt for Welsh domiciled students and comparisons with their counterparts in other parts of the UK. This information will continue to be updated on an annual basis as actual data becomes available from the SLC.

On this basis it is too early to say whether the changes that have been made to student support since 2012 have had a detrimental impact on the number of

graduates repaying their students loans. The first relevant cohort of students will not enter mandatory repayment until April 2016 and information on the actual impact will take a number of years before it is possible fully to evaluate the impact of recent policy and funding changes on the repayment of student loans. The cost to the Welsh Government of providing subsidised student loans is accounted for in the annual Resource Accounts Budgeting (RAB) charge. The RAB charge for Wales for 2014-15 was around 32% which is considerably lower than the estimated charge in England.

With regard to drop-out rates for higher education courses, for full-time first degree entrants who attended a HEI in Wales in 2012/13, and had continued to study past the December cut off point, only 6.5% did not continue their higher education into 2013/14 after their first year of study (which was below the UK average of 7%). This is a four year low with the highest being in 2009/10 where the percentage was 9.0%. The table below provides more detail.

**Percentage of full-time first degree entrants no longer in HE following year of entry: by region of HEI and year of entry to HE**

	2012/13	2011/12	2010/11	2009/10
<b>Total UK</b>	<b>7.0</b>	<b>6.7</b>	<b>7.4</b>	<b>8.6</b>
<b>Total England</b>	7.0	6.6	7.3	8.4
<b>Total Wales</b>	6.5	6.5	8.0	9.0
<b>Total Scotland</b>	7.6	7.9	8.9	9.4
<b>Total Northern Ireland</b>	6.5	6.3	6.0	8.3

**Source: HESA**

Yours sincerely



**Huw Lewis AC / AM**

Y Gweinidog Addysg a Sgiliau  
Minister for Education and Skills